

BANQUE EUROPÉENNE  
Crédit  Mutuel



The Crédit Mutuel-CM11  
Group's bank for businesses  
and real estate professionals

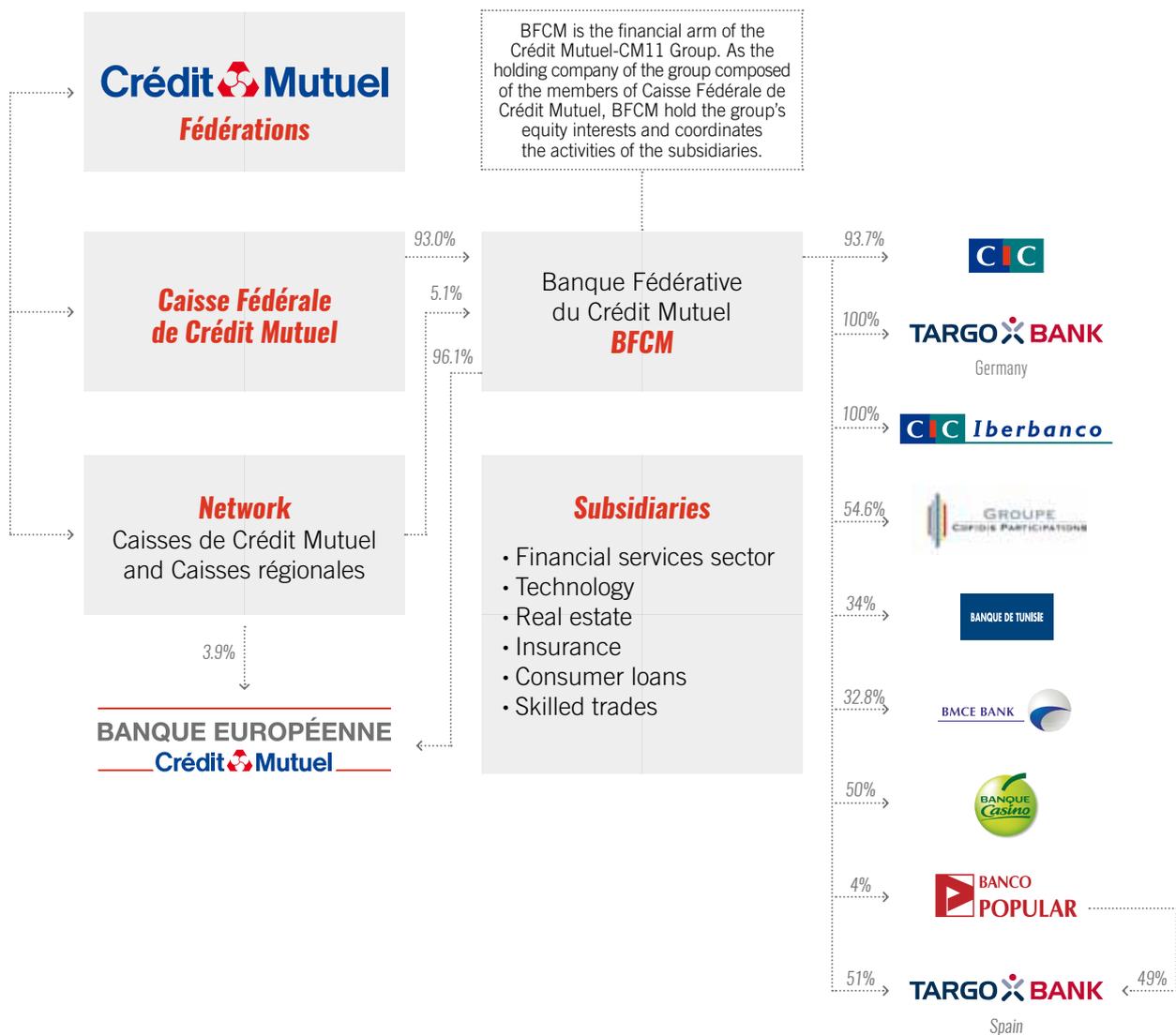
**2016** *Annual report*

## Profile

BECM is a Crédit Mutuel Group's bank that specializes in large and medium-sized companies. Drawing on the financial strength of the Crédit Mutuel group and, in particular, BFCM, BECM is a reasonably sized, largely decentralized bank that maintains close ties with its customers and offers short decision times.

BECM's strategy is based on values of proximity, responsiveness and expertise that make it the lead bank for corporate customers within the Crédit Mutuel-CM11 Group\*.

These strengths enable it to develop lasting, personalized relationships with customers in France and abroad.



\* Crédit Mutuel-CM11: consolidated scope of the following Crédit Mutuel mutual banks: Crédit Mutuel Centre Est Europe, Sud-Est, Île de France, Savoie-Mont Blanc, Midi-Atlantique, Loire-Atlantique et Centre-Ouest, Centre, Normandie, Dauphiné-Vivarais, Méditerranée and Anjou - their joint federal mutual bank (Caisse fédérale de Crédit Mutuel (CFCM)) - the Banque Fédérative du Crédit Mutuel, and its main subsidiaries: ACM, BECM, Informatique, as well as CIC, Targobank Germany, Targobank Spain, Cofidis, CIC Iberbanco.

# A Group with **international presence**



## Germany

- BECM Frankfurt, Düsseldorf, Stuttgart, Hamburg and Munich
- CM-CIC Leasing GMBH
- Targobank
- Targo Commercial Finance

## Belgium

- CM-CIC Leasing Benelux
- BT Belgium
- Cofidis Belgique
- Partners (Insurance)

## Canada

- Desjardins Assurance
- Monetico

## Spain

- Banco Popular Espanol
- GACM España
- Amgen Seguros
- Targobank
- Agrupació

## United Kingdom

- CIC

## Hungary

- Cofidis Hungary

## Italy

- Banque de Tunisie
- Cofidis Italia

## Luxembourg

- Banque de Luxembourg
- BT Luxembourg
- ACMré (Insurance)
- ICM Life (Insurance)

## Morocco

- BMCE (Banque Marocaine du Commerce Extérieur)
- Royale Marocaine d'Assurance
- EurAfric Information

## Portugal

- Cofidis Portugal

## Czech Republic

- Cofidis Czech Republic

## Switzerland

- CIC Private Banking
- Banque CIC Suisse

## Tunisia

- ASTREE (Insurance)
- Information International Developments (IID)
- Direct Phone Services

## London, New York and Singapore

- CIC Branches



## **Management** and supervisory bodies

*at December 31, 2016*

### **Executive Board**

René Dangel,  
*Chairman*  
 Claude Brun  
 Maurice Fauvet  
 Bruno Ligonnet

### **Supervisory Board**

Nicolas Théry,  
*Chairman*  
 Jean-Louis Boisson,  
*Vice-Chairman*  
 Jean-Daniel Azaïs  
 Gérard Bontoux  
 Hervé Brochard  
 Hervé Chatanay  
 Roger Danguel  
 Gérard Diacquenod  
 Bernard Flouriot  
 Rémy Grosz  
 Pierre Hussherr  
 Danielle Joannes  
 Robert Laval  
 Damien Lievens  
 Patrick Morel  
 Daniel Schoepf  
 Alain Têtedoie  
 Michel Vieux

### **Honorary Chairman**

Étienne Pflimlin

### **Representatives of the Works Council on the Supervisory Board**

Matthieu Bazin  
 Céline Taesch

### **Statutory Auditors**

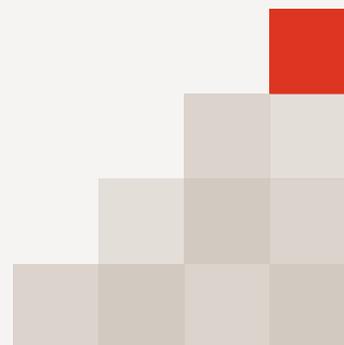
Ernst & Young et autres  
 Membre de la compagnie  
 régionale de Versailles

KPMG S.A.  
 Membre de la compagnie  
 régionale de Versailles

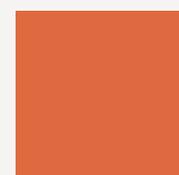
### **Alternate Statutory Auditors**

Isabelle Goalec  
 Picarle & Associés

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**BANQUE EUROPÉENNE**  
**Crédit  Mutuel**





# 1

## *Reports and resolutions*



The Executive Board, from left to right: Claude Brun, Maurice Fauvet, René Dangel and Bruno Lignonnet

## Executive Board's management report

### ■ 2016: Sufficient growth to come to terms with the political upheaval

Worldwide growth was moderate in 2016, impacted by the ongoing difficulties of emerging countries, while developed countries continued to benefit from cheap oil prices and very low interest rates. The election of Donald Trump as President of the United States and the upturn in the price of oil throughout the year was game-changing and opened the way to even wider disparities in 2017. It can already be seen in monetary policies, in the tightening of the Fed and the staunchly accommodating position of the other large central banks.

### Renewed fears at the beginning of the year

At the start of 2016, the rapid fall in the yuan and in Chinese foreign reserves, combined with the weakness of the US industrial sector, gave rise to fears about world growth. That was reflected in a slump in the financial markets and stalling oil prices, which reached a low point at \$27 (WTI<sup>(1)</sup>) in mid-February. As a result, the specter of deflation took hold, maintained by the currency war waged by the central banks, between the prudence of the Fed, the ECB's proactivity and the Bank of Japan's creativity. In March, the ECB announced new measures such as the additional lowering of key interest rates, the increase in monthly asset purchases to €80 billion, the inclusion of non-financial companies in the program and a new long-term lending program for banks.

(1) West Texas Intermediate - WTI.

In the second quarter, world growth proved to be more resilient than expected with the recovery in China. The Chinese authorities demonstrated that they were capable of managing growth by reusing traditional measures to support the economy, in particular the use of bank lending and measures that favored real estate. The slowdown in eurozone activity ceased thanks to increased investment, which offset the fall in consumption and external trade. Nevertheless, the uncertainties prior to the Brexit vote marred the picture, with the maintenance of prudent policies, including in the United States and Asia. The Fed consequently maintained its accommodating monetary policy while Japan struggled as a result of the appreciation in its currency, the yen seen as a safe haven currency by investors.

### Brexit focuses attention

From 23 June, all eyes turned to Europe, where the vote in favor of Brexit raised a serious challenge both to the United Kingdom and the European project. Although economic growth has not – yet – suffered in those two regions, the political uncertainty is genuine and penalizes investment, presaging difficulties to come in 2017. These political tensions were compounded by the problems with the Italian banking system, posing a threat to the rules introduced by the European Union on the prevention of direct bank rescues by governments. At the same time, the US economy was showing its dynamism and the Fed was preparing to normalize its monetary policy. There were positive signs from emerging countries, in particular Brazil and Russia, which began to

recover thanks to the upturn in the price of oil, while the OPEC countries reached an agreement in Algiers at the end of September on limiting output.

### **Towards the end of 2016, the US election led to renewed optimism on the markets.**

The final quarter was dominated by the surprise election of Donald Trump as President of the United States on November 8. All asset classes were impacted by this event which raised inflation expectations and caused US bond yields (and those in the rest of the world, through the ripple effect) and the US dollar to soar. Not to be outdone, the equity markets reach record levels, sustained by the optimism of investors who had largely counted on a “soft Trump” scenario (tax cuts and fiscal stimulus without protectionism). Europe also profited from this renewed appetite for risk. Growth was, however, slow to take off as consumption and investment remained held back by significant uncertainty.

The second incident towards the end of the year was the agreement reached by OPEC on limiting oil output from the beginning of 2017. It sparked a new surge in the price of oil, thereby supporting the large emerging countries that are producers oil (in particular, Russia and Brazil). Conversely, Europe and China risk being disadvantaged by the additional challenge posed by the rise in the price of oil, which will reduce households’ purchasing power.

### **In France, activity reacted to the global context in 2016, but with a slight delay.**

At the start of the year, the French economy benefited from the favorable world environment (low commodity prices and low interest rates). This translated into a rapid increase in household consumption and the continued recovery in investment. The uncertainties surrounding worldwide growth and the recovery of the euro curtailed this recovery, which came to an abrupt end in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, despite the government’s support measures. The El Khomri law, the extension of recruitment subsidies and additional depreciation provided support to French businesses. Moreover, the continued lowering of interest rates was beneficial to the real estate sector, prompting a recovery in real estate transactions in respect of existing dwellings. The construction sector benefited from tax incentives offered by the authorities, sparking an increase in new housing projects and applications for building permits. This helped the construction sector to gradually make up for its negative contribution to investment and growth. Towards the end of the year, cyclical indicators were more favorable, despite the fact that the economic environment was less buoyant, given the rise in the oil price and sovereign spreads. This improvement could be seen in the positive changes to the business environment, the upturn in industrial

output and the fall in Category A unemployment. Growth is only likely, however, to show modest improvement. The latent wait-and-see approach before the French elections and the increase in energy prices will have a negative impact on households’ purchasing power.

A number of promises were made at the end of 2016 but there was significant uncertainty going into 2017, both in the United States, with the start of Donald Trump’s presidency and in Europe, with a full electoral calendar. The progress of negotiations over Brexit, capital outflows in China and the risk of a hard landing are ever-present negative indicators. Despite all of this, moderate acceleration in growth remains, however, the most likely scenario.

### **■ Banque Européenne du Crédit Mutuel**

BECM is a network bank in the Crédit Mutuel-CM11 Group that operates in the corporate and real estate professional markets in tandem with the CIC regional banks and in a subsidiarity capacity relative to the Crédit Mutuel-CM11 regional banking network, with thresholds for intervention adapted to each region.

A banking network for businesses and the real estate market

At the request and on behalf of the Crédit Mutuel-CM11 group, BECM operates in Germany on the market for large and medium-sized companies and real estate companies. Similarly, on the professional real estate market in France, BECM is the appointed contact for national and larger multi-regional real estate developers, as well as for listed real estate companies and major investors that manage residential, commercial and business rental properties.

With its 408 employees, it currently has 51 branches, of which 37 are dedicated to the corporate and local market and 13 specialize in financing real estate professionals, with one branch in the Caribbean. In 2016, it expanded its coverage in Germany by opening a branch for large accounts and a branch dedicated to real estate companies in Frankfurt.

BECM’s principal areas of business are:

- financing and equipping businesses;
- financing property development in France, mainly in the housing sector;
- financing real estate companies and institutional investors that manage commercial and business rental properties in France and Germany;
- payments processing for major players in the retail, transportation and services sectors.

BECM distributes the products and services of the Group’s other subsidiaries in all areas related to the corporate and real estate markets.

In Germany, BECM also targets French and German parent company-subsidary relations. It provides its knowledge of the German local markets and makes its know-how available to BECM's and the Group's other banking entities' domestic network. The business of financing major real estate investors was added at the beginning of financial year 2016 to support French real estate companies investing in German real estate assets and to acquire real estate companies and German real estate investors as clients.

It has eight branches in Germany. Four branches are located in Frankfurt, including the large corporate *business center* and the *french-desk* branch that manages the accounts of subsidiaries of French businesses in Germany, with the other branches in Düsseldorf, Hamburg, Munich and Stuttgart.

### Limited economic growth and exceptionally low interest rates

In view of the principal markets covered by BECM, the economic situation in France and Germany, on the one hand, and the health of the new housing market in France and the real estate investment market in Europe, on the other hand, are important factors.

In 2016, the GDP growth rate ultimately reached 1.1% in France (compared to 1.2% in 2015), lower than the rate in the eurozone, where growth was 1.7%.

The main causes of this weak growth were associated with external trade, resulting especially from the slowdown in world trade but also, and most importantly, with difficulties in the traditional exporting sectors such as aeronautics and agriculture.

Some satisfaction could be drawn from the French real estate market, as there was a near record number of sales and real estate transactions and new projects began to pick up. Maintained low interest rates has largely contributed to this situation.

Moreover, the European economy remains saturated with liquidity as a result of the action taken by the ECB, reflected in the increased leveraging of resources. After gradually improving its loan to deposit ratio, which is now at 96,5%, BECM began to regulate deposit-taking and its partial reorientation towards financial savings products which have become priorities in achieving returns on assets.

### Commercial policy guidelines

Excellent relationships with its clients

To support its development, adapt its activities to the challenges and constraints of the economic and regulatory environment, continue to improve its profitability, achieve the objectives set out in its 2014-2016 medium-term plan and provide its clients with high-quality service in line with their projects, BECM focused its efforts on the following key orientations of its commercial policy:

- **take advantage of its network** of 51 nationwide and German branches to continue to grow its customer portfolio through a wide variety of business development activities;
- **accelerating growth in lending** through investment loans, development of the corporate business in Germany, loans to real estate companies and to real estate developers but also through diversifying to loans backed by customers' assets executed by the group's specialized subsidiaries;
- **develop specialized financing operations** to be a preferred contact for customers on the financing of mergers and acquisitions and, more generally, to strengthen value-added lending activities that generate arrangement and participation fees. A team has been put together to assist the network in France and to increase the number of mandates as agent;
- **refocus the strategy** on the cost and structure of deposit-taking, and geographic diversification, particularly in Germany, where rates are lower than in France. This intake strategy has been a success as it is the source of the improvement in the overall interest margin in 2016;
- **support customers** that have an active presence internationally through appropriate financing and products and services designed for French and foreign parent companies and subsidiaries organized based on the Group's establishments abroad and its partnerships and equity interests, particularly in Germany, Spain, Canada and Morocco;
- **promote the recommendation of wealth management** activities through the operational partnership built with Banque Transatlantique, and the activities of the real estate business subsidiaries through financing for developers, in particular the sale of new housing by CMCIC Agence Immobilière.

These orientations, integrated into the commercial action plan, were incorporated directly into the training plan and, thanks to the competence and active involvement of all employees, helped make 2016 a year of significant growth in business volumes and income, and confirmed the appropriateness of the options chosen.

### A positive review of the 2014-2016 medium-term plan that is to be ambitiously extended to 2017 and 2018

The medium-term plan (MTP), which had been intended to cover the period 2014-2016, was a success even though the economic and financial environment proved to be significantly less favorable than anticipated in 2013.

The ambitions for growth and profitability and the priorities of altering BECM's structure and strengthening its identity, proved to be accurate.

BECM grew, became financially stronger, developed its working methods, enhanced the expertise of its teams, strengthened the security of processing of customers' transactions and continued to improve its commercial effectiveness.



The MTP is accordingly a solid basis from which to make future plans and to move forward from 2016 ambitions to 2018 ambitions.

**Almost  
20,000  
clients**

BECM's total number of customers at December 31, 2016 was 19,555, of whom 15,971 were businesses and professionals, 2,154 were individuals (mainly in the Caribbean) and 1,430 fell into other categories (property management companies, non-profit organizations, etc.). Broken down by geographic location, 17,470 customers are based in France and 2,085 are based abroad.

Over the three years covered by the 2014-2016 MTP, the growth in new business and outstandings of group subsidiaries is as follows:

- Equipment leasing: +31%
- Real estate leasing: +92%
- Employee savings plans: +15%
- Factoring: +162%

New lending to developers has, for its part, contributed to CMCIC Agence Immobilière selling 19,500 properties over the period and paying more than €160 million in fees to the retail networks.

BECM works with Banque Transatlantique to build trust-based relationships with its customers who are business executives, and to continue to grow business volumes with their companies. Approximately 100 meetings were organized in 2016 to take instructions from executives, with new fund inflows of €115 million.

BECM is also managing the convergence of three Crédit Mutuel-CM11 federations (Nantes, Angers and Marseille) in the corporate market: BECM's products, tools and joint customer acceptance policy for the corporate market have been rolled out in these three federations.

### **An increase in managed funds and further strengthening of equity**

#### **Loans (average monthly balances)**

Growth in utilized credit facilities maintained its high tempo, up 5.49% to €12.5 billion.

This growth was fueled by the increase in investment loans in France and Germany and loans to real estate companies.

In terms of lending, it should be noted that the growth in volumes has offset the lower yields, which have been impacted by the fall in financing margins.

The value of new repayment loans released rose to €2.449 billion in 2016. Investment loans to corporates were up 12.74% largely as a result of to the large fluctuation of 15% on the German market.

The outstanding amounts of external financing increased in overall terms by 5.1% for equipment leasing, real estate leasing and factoring (products of the group's subsidiaries). For the first time, total managed on-balance sheet and off-balance sheet loan commitments exceeded €22 billion, a 12-month increase of €888 million or 4.2%.

#### **Deposits (average monthly balances)**

Deposits increased by 18.7% to €12.9 billion, with a large intake in Germany of €1.9 billion, boosted by the Group's renowned financial strength.

Savings under management (insurance, securities, UCITS, etc.) rose, in overall terms, to €2.3 billion. Penalized by low market rates and the low returns from money market funds, financial savings continued to fall sharply (by -16.6% over 12 months).

BECM nevertheless maintained a high intake level in 2016, with total deposits increasing by 11.5% after a 17.6% increase in 2015.

Intake in Germany represents the majority of the increase in deposits, and the German market now accounts for 38% of the bank's client resources, with a total of €4.9 billion. For its part, intake in the French corporate market fell by €208 million as a result of price regulation measures. At the end of December 2016, in average monthly balances, savings exceeded loan outstandings for the first time, by €373 million.

### Results

At odds with the basic strategy of the retail bank, which has seen its profitability hit by interest rates, renegotiations and consumer-oriented and regulatory measures, BECM's financial margin, net banking income and operating profit after tax all enjoyed strong growth.

This performance was achieved through business development and equipping customers, and therefore through the creation of value, rather than through reducing overheads, which would limit the potential for growth.

The interest margin grew significantly between 2015 and 2016, by 18.5%, to reach €132 million, as a result of both:

- the proactive pricing policy of decreasing the average cost of intake for bank deposits, both in France and Germany,
- an increase in lending volumes which offsets the fall in average returns.

Net interest  
income up  
18.5%

Net fee income was up 10% to €71 million at 31 December 2016, principally as a result of fees on electronic payments and on real estate development financing.

With compensation of €65.6 million received on the sale of shares in Visa Europe, recognized in other banking income, net banking income amounted to €332 million. If this non-recurring item is not taken into account, net banking income grew by €30.9 million, a rate of 13.1%.



General operating expenses rose by 10%. This increase was mainly due to the increase in taxes on financial institutions, including the contribution to the Single Resolution Fund (SRF), and the increase in BECM's contribution to Caisse Fédérale de Crédit Mutuel's operating expenses. There was a limited increase in overheads directly within BECM's control, with the full year impact of the investment made to expand the network in Germany.

Net provision allocations rose to €22 million, compared to €13.9 million in 2015. It represents, however, a small percentage of loans, at 0.18% of average annual outstanding loans.

Income from ordinary operations before tax amounted to €223 million, compared to €142 million in 2015, given the growth in net banking income and the Visa Europe compensation. On recurring activities alone, income from ordinary operations before tax grew by 10.5%.

Corporation tax rose consistently to €77 million following in line with the growth in income from ordinary operations, but without the additional extraordinary corporation tax contribution at the rate of 10.7%.

### Net income up 19.9%

A decision was taken to supplement the fund for general banking risks by €40 million.

Net income ultimately totaled €105.6 million, up 19.9%, the highest level ever achieved by BECM.

### Equity

Over the course of the last 10 years, BECM has developed its business on markets that are structurally more exposed than retail banking markets. Moreover, the prudential supervision mechanism introduced by the European Central Bank (ECB) after the 2008–2011 financial crisis tightened the regulatory constraints on banks.

Against this background, BECM has, since 2015, been included in the individual supervisions mechanism implemented by the ECB in respect of certain subsidiaries in the Crédit Mutuel-CM11 group. This mechanism entails compliance with a capital adequacy ratio every year in line with the development in risk-weighting (on- and off-balance sheet credit risks and operational risks).

BECM is also subject to liquidity requirements.

### Supported by institutional trust

Accordingly, appropriate measures were taken by BECM in 2016, with the support of its shareholders (including BFCM), to strengthen shareholders' equity through:

- a capital increase of €160 million subscribed for by all shareholders in BECM, who thereby gave institutional backing to BECM and its growth,

- the reinvestment by all shareholders of the dividends received in respect of the 2015 financial year in new shares,
- refinancing packages granted by BFCM at appropriate maturities to comply with our liquidity constraints.

As a result, at December 31, 2016, BECM had a CET1 (Common Equity Tier 1) ratio of 9.72%, compared to a requirement of 8.75% and a LCR (Liquidity Coverage Ratio) of more than 115%.

*BECM reached the end of financial year 2016 in a stronger position, with enhanced capital levels and liquidity in line with regulatory requirements.*

### Corporate market

With a view to furthering the development of its customer base, BECM has focused its efforts on customer acquisition by organizing dedicated marketing days.

Targeting corporates with revenues of more than €10 million, with a core target of over €50 million, remains a priority. New customer relationships were entered into with 336 companies, 119 of which were key targets.

However, in each region, it has adapted its approach to business development depending on the location of its branches in the territory of Crédit Mutuel regional federations affiliated with the Caisse Fédérale de Crédit Mutuel.

Business development meetings led to 2,095 new contacts in France and Germany.

The corporate customer base, all segments combined, in net terms, includes 12,253 customers, up by 2.8%.

To increase new lending, pre-approved loans were defined by customers and prospects to finance their projects. In addition, tools aimed at activating undrawn credit lines were made available on the network.

New investment loans and finance leases in France totaled €1.96 billion in 2016. In Germany, new loans and finance leases totaled €486.4 million.

In terms of utilized loans of all types, outstandings rose by 4.2%, including a 15.08% increase in Germany, where growth has been rapid in line with the opportunities on this market.

The lack of revenue growth for customers in the mass retail sector impacted the growth in merchant electronic payments. Income debits subject to transaction fees increased by 2.5%, to €65.2 billion.

The diversification and service activities, which draw on the skills and product and service offering of the Crédit Mutuel-CM11 Group's business centers and specialized subsidiaries, performed well in terms of new equipment leases, up 22% to €352 million. Real estate leasing amounted to €76.5 million in 2016, up by 20% compared to 2015.

A focus on success and growth

### Enhanced security for transactions

The security of processing customers transactions was also strengthened, through:

- the replacement of banking authentication cards by Safetrans and the K-Sign [signature certificate] a new, larger range of secure authentication measures,
- the introduction of secure messaging, with the remote Online-Banking being transformed into a virtual branch allowing customers to directly contact their advisor,
- through the provision of a mobile application to validate file transfers.

Commercial activity between parent companies and subsidiaries is organized with Germany (the *French Desk* branch), Spain (Targo Bank) and Canada, with the Desjardins bank. The issuing of international letters of credits and guarantees is growing strongly.

### Financing of real estate professionals

For more than 10 years, the Crédit Mutuel-CM11 group has entrusted responsibility for the business division that finances real estate professionals to BECM.

As such, BECM manages the Crédit Mutuel-CM11 group's relationships with national and larger multi-regional real estate developers. It also counts the leading French property dealers, land developers and professional real estate investors among its customer base. With branches located throughout the country, BECM is involved in financing real estate development projects geared mainly towards housing, together with the Group's banking networks and real estate subsidiaries.

Within the Crédit Mutuel-CM11 Group, BECM is also responsible for handling relations with listed real estate companies and major investors that manage residential, commercial and business rental properties.

Thanks to its knowledge of the markets and operators, it plays a key role in the real estate value chain:

- helping CM-CIC Agence Immobilière to obtain real estate listing contracts,
- contributing to the development of EPS remote surveillance by bundling it into financed programs, and
- financing home loans through the Group's retail networks.

Lastly, in the area of real estate, BECM organizes and oversees, on behalf of the group, training, procedures and guidelines, legal watch and management and development of the "business" IT tools for which it is responsible.

On the real estate market, investments in new residential property continued to recover, supported by the tax regime (Pinel regime and interest-free loans), very low interest rates, the low returns on financial investments and a market environment that is more favorable to developers (lack of stock for sale currently being worked on,

measures taken against abusive claims for building permits and the accelerated procedure for obtaining building permits).

Sales of new residential properties rose sharply (up 20%) in 2016, and there were also increases in requests for building permits (up 14%) and new housing starts (up 10%).

Against this background, BECM entered into 27% more loans with developers.

Financing offered by BECM to real estate developers is governed by strict prudential rules adapted to the particular characteristics of each deal. Its decentralized organization close to the markets in which it operates, its specialized teams, its dedicated analysis and management tool and the financing guidelines framework enable BECM to ensure tight risk management.

A 27% increase in lending to developers in 2016

Corporate real estate investment also remain buoyant: France is the second largest market in the eurozone after Germany. It benefited from increased demand from institutional investors, a risk premium that remains beneficial compared to other assets, but which has reduced significantly, and the abundance of liquidity. It remains sensitive to falls in interest rates, the financial health of tenants and tighter financing structures (extended terms and *interest-only* portions).

Encouraged by a growing number of investments on pan-European portfolios, in 2016, BECM opened a new branch in Frankfurt focused on financing real estate investors.

BECM carefully developed its profile in the real estate investment financing market and remained very selective with its commercial proposals in view of the increases in assets values and the competition.

In overall terms, 2016 was a good year for the real estate market, with a level of risk that remained extremely low.

### Human resources

Staff turnover affected more than 50 people in 2016, with 37 new joiners and 18 departing employees.

Due to the squeeze on retail banking profit margins, there is a need to expand the Bank's range of services and be innovative with product offerings. This requires teams to continually remain focused on training.

The 2016 training plan focused on:

- 8 essential strategic actions,
- business line-specific training courses, with new courses in 2016 for new research managers and project managers on the real estate market and experienced project managers on the corporate market,

Employee training at the heart of the business

- 38 skill-building training programs,
- 12 back office training *modules*.

BECM allocates 3.6% of payroll costs of employee training.

The functional and geographic mobility that allows employees to develop their career path and enables the Crédit Mutuel-CM11 Group to balance needs and available resources as best it can, is a core aspect of the human resources policy.

As a result, BECM can offer its employees good career prospects.

In 2016, it accordingly introduced a number of measures design to improve employees' chances of internal promotion through:

- consistency between the job titles at Crédit Mutuel-CM11 and CIC to make internal transfers more understandable,
- the roll-out of the training program and, in particular, courses specific to business lines.

It has also entered into a new agreement on gender equality with employee representatives to firmly establish the new approach in the human resources policy.

## Corporate Social Responsibility

Corporate social responsibility (CSR) is built on a set of economic, social, societal, environmental and governance commitments.

The CSR policy is entrenched in the Crédit Mutuel-CM11 group's cooperative and mutualist DNA and contributes to the group's development and image, through the search for increased efficiency, productivity and safety.

For BECM, it has 4 key aspects:

- economic responsibility: financing the economy ethically,
- social responsibility: developing a human resources policy that encourages employment and the professional development of employees,
- environmental responsibility: responsible and clean consumption,
- civic responsibility: promoting collective action.

## Economic responsibility

In 2016, BECM granted:

- €1.9 billion euros in new investment loans to French businesses,
- €3.3 billion in new facilities to developers and real estate companies.

In line with the sectoral policy drawn up by the group (armaments industry, civil nuclear sector, mining sector, coal-fired power stations, the group's private bank, etc.) and compliance rules (country lists, embargos, AML, etc.), including tax compliance.

## Social responsibility

It is informed by the Crédit Mutuel-CM11 group's mutualist values. As a result of the training policies and excellent personal relationships, the pursuit of mutualist values finds expression in responsible practices and a responsible commercial offering.

The social policy is also reflected in a compensation system that is not based on commission and that is supplemented by a profit-sharing and incentive plan that is favorable to employees.

Gender equality in the workplace also continues to remain a priority, and has been formally addressed in a new agreement.

Lastly, the size of the training budget illustrates BECM's commitment to furthering the expertise of its employees. Social responsibility also requires high-quality dialog with staff.

Lastly, it encourages employees to move around, either geographically or between departments.

## Environmental responsibility

The entire network was equipped with unified communication system, Lync-Skype Pro, which also led to savings in terms of transport and travel expenses.

Values that are reflected in practices and the commercial offering





Digital document management has also been developed. Goods and services are purchased in accordance with the group's purchasing policy (local partners, free trade, selective sorting of waste paper, purchase of paper from a company employing disabled workers, etc.).

#### Civic responsibility

**A committed,  
socially  
responsible  
company**

BECM's civic commitment is demonstrated by its sponsorship activities, such as the support it has provided to research against melanoma in partnership with the oncology department at the Institut Gustave Roussy in Villejuif.

It is also reflected in the respect shown for mutualist values such as solidarity, responsibility, autonomy and initiative, team spirit and compliance with the code of conduct and ethics.

#### Composition of the governing bodies

The Shareholders' Meeting of May 11, 2016 renewed the terms of office as members of the Supervisory Board of Messrs. Roger Danguel, Rémy Grosz, Patrick Morel and Nicolas Théry and confirmed the co-option, approved by the Supervisory Board on July 30, 2015, of Mrs. Danielle Joannes for the remainder of the term of office of Mr. Michel Paoli and Mr. Damien Lievens for the remainder of the term of office of Mr François Duret.

It renewed the term of office as Principal Statutory Auditor of Ernst & Young et autres and that of Cabinet Picarle & Associés as Alternate Statutory Auditor for a period of six years.

Pursuant to Article L.225-102-1 of the French Commercial Code, the list of offices held and functions exercised by each corporate officer during the year is provided in the appendices.

#### Equity interests

At December 31, 2016, shareholdings in subsidiaries and other equity interests stood at €11,458,032.82, of which €11,022,900 related to the Monaco BECM subsidiary, whose share capital increased by €1,023,000 in 2016. For 2016, Banque Européenne du Crédit Mutuel Monaco posted net income of €748,270.22.

Subsidiary SNC Foncière du Crédit Mutuel acts as a property dealer in managing security related to cases in dispute or litigation. The company posted a profit of €12,065.82 for the year.

#### Recent developments and outlook

In 2016, BECM introduced video chat and the equipment needed to enable it to be used effectively, at all employees' workstations. The use of video-conferencing became widely used by the bank's Management Committee, in commercial marketing meetings by geographic sector and market, and in work meetings with customers, sales teams and representative offices abroad. This tool increases commercial effectiveness and productivity. It also provides the image of a bank at the forefront of technology and focused on its customers' present needs.

BECM has moved towards multi-channel (*email* and website) and multi-support (digital newsletter, videos and Internet files) marketing methods. Since 2016, it has also published a monthly customer newsletter.

In 2016, BECM introduces a number of measures to improve its operational efficiency:

- the expansion of the commitments section, already shared with CIC Ile-de-France, to CIC Est, for both corporates and real estate,

- the creation of a Specialized Financing Team shared with CIC Ile-de-France, already operational with CIC Est,
- the formation of a technical sales team shared not only with CIC but also with the Crédit Mutuel federations. A joint team with Crédit Mutuel du Centre has already been created for employee savings schemes, and a team is to be created with Crédit Mutuel Méditerranéen for cash flows and equipment leasing.

It is evidence of a proven ability to create shared functions within the group, with a view to developing the group's business efficiently and economically. The purpose of pooling resources is to avoid redundant duplication of the same tasks or roles, to combine roles and do things once where possible and appropriate, without harming BECM's identity and brand from the customer's perspective.

The challenges for 2017, which are the first hurdle to be overcome in the extended two-year medium-term plan, come in various forms:

- continuing to open accounts, as in 2016, in particular by enhancing business development activity in Germany, with the roll-out of business development days to support the new branches combined with the business development activity carried out by the former General Electric teams,
- continuing to grow lending on the corporate market in France, while stabilizing the level of outstandings in real estate development. New lending must be qualitative and must take into consideration its impact on the risk-weighting under the CET1 common equity ratio,
- controlling and regulating the deposit-taking volumes,
- stemming the fall in the financial margin and replacing falling lending returns with increased growth in fees, with five areas of priority:
  - new lending volumes linked to the customer acceptance policy and the growth in cashflows in France and Germany,
  - revising the pricing structure,
  - value added with more specialized financing arrangements and cash flow engineering,
  - enhancing business diversification: e.factor, IARD insurance, financial savings, etc.
  - reducing disparities between customer facilities between branches,
- strengthening the commercial relationship with Banque Transatlantique to improve customer loyalty to BECM.

Certain strategic measures are specific to the real estate market:

- real estate development:
  - maintaining a 20% market share with all major, economically sound national developers to help CM-CIC Agence Immobilière obtain mandates,
  - continuing diversification into long-term lending and property dealers.
- real estate companies and major investors:
  - increasing utilized credit facilities, in particular through business development activities with managers of French SCPIs (real estate funds),

- expanding the business with bilateral financings in Germany.

- The activities of real estate subsidiaries:
  - continuing working with CM-CIC Agence Immobilière, in particular through procurement committees,
  - furthering our cooperation with CM-CIC Participations and CM-CIC Réalisations Immobilières through a restructured offering.

In addition to these commercial and operational priorities, plans are being developed to increase cooperation in the future with Targobank Germany, with a view to growing the leasing and factoring businesses, and with Targobank Spain, on the large and medium-sized companies market, depending on changes to economic conditions.

Improvements in the digitalization of business activities is planned, despite the fact that BECM has already rolled out an IT and telephone system that allows voicemail, data and images to be exchanged not only within BECM but also with external customers.

A focus on advice and services

These are all key aspects of our project to create an efficient bank, a bank that is close by but accessible remotely, and focused on providing advice and serving its customers.

## Financial information (by month-end balance)

### Management of financial risks

The Crédit Mutuel-CM11 Group's ALM technical committee manages the interest rate, exchange rate and liquidity risks of the Group, including those of BECM. As part of overall asset and liability management, the duration and type of refinancing is decided according to asset/liability management rules, particularly in terms of transformation and interest rate risk and regulatory ratios.

As cash centralizer, BFCM ensures that Group entities have sufficient liquidity; accordingly, BECM does not bear any liquidity risk on its own account.

### Balance sheet

Total assets at December 31, 2016 amounted to €19.1 billion, compared with €16.1 billion at year-end 2015, an increase of 18.8%.

### Liabilities

Interbank transactions amounted to €4.0 billion and consisted almost exclusively of refinancing activities with BFCM.

Customer deposits, up by 21.8% at €13.2 billion (including accrued interest), consist mainly of term deposits (€5.4 billion), customers' current account credit balances (€4.0 billion) and savings accounts (€3.7 billion).

The fund for general banking risks (FGBR) amounted to €200 million, after an additional provision of €40 million. Total shareholders' equity and reserves (including FGBR and income), was €1.308 billion compared with €1.003 billion in 2015, following the appropriation of 2015 retained earnings, the reinvestment of the 2015 dividend in shares and a capital increase by way of cash contribution of €160 million.

Subordinated debt totaled €301 million (excluding accrued interest), including €50 million in the form of super-subordinated securities subscribed by BFCM to enable BECM to bolster its long-term funding resources. Articles L.441-6-1 and D.441-4 of the French Commercial Code provide for specific disclosures relating to the due dates of trade payables; the amounts involved are not material for BECM.

### Assets

Interbank transactions mostly reflect cash surpluses placed with BFCM.

At the end of the reporting period, customer loans (including accrued interest) were up by 7.7%, at €12.6 billion, from €11.7 billion in 2015.

Cash facilities (€1.8 billion), capital asset financing (€7.4 billion), loans to developers (€1.0 billion), other loans (€1.0 billion) and customers' current account overdrafts (€0.9 billion) accounted for most of the facilities granted. Non-performing loans to customers (gross outstandings of €280 million) were 42% covered by provisions. BECM pursues a prudent loan reclassification and provisioning policy.

### Income statement

Interest and similar income totaled €267.3 million in 2016, consisting mainly of interest received on lending transactions with customers (€226.2 million).

Interest and similar expenses (€71.7 million) essentially consist of interest paid to BFCM in respect of refinancing, and interest paid on customers' term deposits.

Other income includes an amount of €65.6 million in respect of VISA transactions.

Net banking income amounted to €332 million, compared with €235.5 million in 2015.

General operating expenses totaled €89.8 million, of which €2.7 million was incurred on behalf of other Crédit Mutuel-CM11 Group entities and subsequently recovered. Net operating expenses for BECM thus totaled €87.1 million.

Net provision allocations/reversals for loan losses came to €22.1 million.

An amount of €32,455 corresponding to non-tax-deductible rental and depreciation of company cars was added back to taxable income.

After an income tax charge of €77.3 million, net income for the year came to €105.6 million, compared with €88.1 million in 2015.

### Appropriation of prior year earnings and net income proposed to the Shareholders' Meeting

The appropriation of net income and retained earnings submitted to the Shareholders' Meeting is as follows (in euros):

#### Origin of income to be appropriated:

Net income for 2016	<b>105,579,537.51</b>
Retained earnings (previous credit balance)	<b>274,243.38</b>
<b>Total available for appropriation</b>	<b>105,853,780.89</b>

The Executive Board proposes to allocate:

- to distribution of dividends a total amount of €43,675,586.95, i.e.
  - a dividend of €7.24 to each of the 5,440,086 shares entitled to the full year's dividend,
  - a dividend of €4.13 per share entitled from June 6, 2016 at the time of the capital increase following the reinvestment of the 2015 dividend (147,023 shares).
  - a dividend of €4.13 per share entitled from June 6, 2016 at the time of the capital increase as a result of cash payments (891,564 shares).
  - shareholders will be offered a choice between the payment of the dividend in cash or in shares, subject to approval by the Shareholders' Meeting;
- an amount of €2,077,174 to the legal reserve;
- an amount of €60,000,000 to the revenue reserve;
- and carry the residual balance of €101,109.94 forward as retained earnings.

This dividend is eligible for the tax allowance provided for in Article 158 of the French Tax Code.

In accordance with applicable laws, the Executive Board reminds you that the following dividends per share were paid in respect of prior years:

Year	2013	2014	2015
Amount in euros	4.04 <sup>(1)</sup>	4.53	<b>4.85</b>
	2.12 <sup>(2)</sup>		
Dividend eligible for the tax allowance provided for in Article 158 of the French Tax Code	yes	yes	yes

(1) For shares entitled to the full year's dividend.

(2) For new shares entitled from June 23, 2013.

Strasbourg, February 24, 2017  
The Executive Board



## Supervisory Board's report

Dear shareholders,

Your company's executive board has convened this annual ordinary shareholders' meeting, in accordance with the law and the company's bylaws, in order to report to you on the company's situation and business during the year ended Saturday, December 31, 2016 and to submit for your approval the financial statements for said year and the appropriation of profits.

The executive board has kept us regularly informed of the progress of the business, the main corporate operations and their results.

Growth has remained very weak in Europe, particularly in France. Company investments have mainly been focused on the capacity to renew production equipment and external growth transactions, rather than on enhancing production capacity. Despite the context and the abundant liquidity in the market, average monthly balances of utilized credit facilities have increased significantly, by 5.5%, across all BECM's markets. Deposits increased by 18.7% on average. As a result of price regulations, intake fell in France but grew substantially in Germany where the cost is significantly lower.

Two new branches in Germany joined the network, one of which will focus on very large businesses, while the other will focus on German real estate companies but will also assist French real estate companies with their investments in Germany.

This increased geographical and business scope opens up new business development opportunities, supports business growth and develops new methods of growing results in future financial years.

During financial year 2016, BECM grew its income and improved its profitability. It also strengthened its balance sheet structure. Thanks to its geographic diversification, the dynamism of its customer-focused activities, the synergies between its markets and the adaptation of its pricing policy, BECM posted a strong performance in 2016 in a difficult environment in terms of interest rates and competition.

The executive board sought all the authorizations required under the company's bylaws and internal rules.

In accordance with Article L. 225-68 of the French Commercial Code, we have examined and checked the annual financial statements.

We believe that the executive board's report and the annual financial statements accurately reflect the company's activity and do not require any particular comment.

We approve the executive board's management and the content of its report and therefore invite you to approve the balance sheet and income statement for 2016, the proposed appropriation of profits and the resolutions.

We propose that you renew the terms of office of Mrs. Danielle Joannes and Messrs. Jean-Daniel Azais, Jean-Louis Boisson, Damien Lievens, Alain Têtedoie and Michel Vieux.

We congratulate the executive board and all the bank's employees on the results achieved in 2016.

Strasbourg, February 24, 2017  
The supervisory board

# Statutory Auditors' report on the financial statements (Year ended December 31, 2016)

To the shareholders,

In fulfilment of the assignment entrusted to us by your General Meetings, we present to you our report for the financial year ended December 31, 2016, on:

- the audit of the financial statements of Banque Européenne du Crédit Mutuel, as attached to this report;
- the basis of our opinion;
- the specific controls and information required by law.

The financial statements have been approved by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

## I. Opinion on the Financial Statements

We conducted our audit in accordance with the professional standards applicable in France. Those standards require that we plan and perform our audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a sample basis or other basis of selection, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made in the preparation of the financial statements, as well as evaluating the overall presentation of the financial statements. We believe that the elements gathered during the course of our audit provide an adequate and appropriate basis for our opinion.

In our opinion, the financial statements give, in accordance with the accounting rules and principles generally accepted in France, a true and fair view of the results of the company's operations for the past financial year as well as of its financial position and assets and liabilities at the end of the said financial year.

## II. Basis of our opinion

In accordance with the provisions of Article L. 823-9 of the French Commercial Code concerning the basis of our opinion, we bring the following matters to your attention:

As part of our assessment of the accounting rules and principles used by your company, we have considered the appropriate nature of the accounting methods and information provided in the notes to the financial statements.

Your company has recognized provisions to cover the credit risks inherent to its business. We have examined the control system related to the monitoring of credit risks, assessment of non-collection risks and their coverage by specific provisions.

These assessments form part of our audit of the annual financial statements taken as a whole and have therefore contributed to our opinion expressed in the first part of this report.

## III. Specific controls and information

We also performed, in accordance with the professional standards applicable in France, the specific verifications required by law.

We have no comments to make as to the fair presentation and the conformity with the financial statements of the information given in the Executive Board's report, and in the documents addressed to the shareholders concerning the company's financial position and financial statements.

Paris-La Défense, April 12, 2017

### The Statutory Auditors

KPMG Audit - A department of KPMG SA  
Arnaud Bourdeille

ERNST & YOUNG et Autres  
Olivier Durand

# Statutory Auditors' Special Report on regulated agreements (Year ended December 31, 2016)

To the shareholders,

In our capacity as your company's Statutory Auditors, we present to you our report on regulated agreements.

It is our responsibility to inform you, based on the information given to us, of the characteristics and essential features of the agreements of which we have been notified or which we have discovered in the course of our audit, with no duty to comment on their relevance or substance or to investigate the possible existence of other agreements. It is for you to evaluate the benefits arising from these agreements prior to their approval.

We performed the procedures we considered necessary in accordance with professional guidance issued by the national institute of auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement.

## Agreements subject to approval by the General Meeting

We inform you that we have not been advised of any agreement entered into during the past financial year for submission to the General Meeting for approval pursuant to the provisions of Article L.227-10 of the French Commercial Code.

Paris-La Défense, April 12, 2017

### The Statutory Auditors

KPMG Audit - A department of KPMG SA  
Arnaud Bourdeille

ERNST & YOUNG et Autres  
Olivier Durand

## Draft resolutions

### First resolution

The Shareholders' Meeting, having heard the reports of the Executive Board and the Supervisory Board and the Statutory Auditors' general report, approves the annual financial statements, comprising the balance sheet, income statement and notes to the financial statements for the year ended December 31, 2016, as presented, as well as the transactions covered by these financial statements and summarized in these reports.

It therefore grants full discharge to the members of the Executive Board and the Supervisory Board for their management for the year ended December 31, 2016.

### Second resolution

The Shareholders' Meeting approves the Executive Board's proposal and, having noted that the financial statements for the year show net income of €105,579,537.51, resolves that the sum of €105,853,780.89 available for distribution and composed as follows, be appropriated in the following manner:

Origin of income to be appropriated (in euros):	
1) prior year retained earnings	<b>274,243.38</b>
2) net income for the year	<b>105,579,537.51</b>
<b>Total</b>	<b>105,853,780.89</b>

Proposed appropriation (in euros):

1) to distribution of dividends of €43,675,586.95	
<ul style="list-style-type: none"> <li>• a dividend of €7.24 to each of the 5,440,086 shares entitled to the full year's dividend,</li> <li>• a dividend of €4.13 per share entitled from June 6, 2016 at the time of the capital increase following the reinvestment of the 2015 dividend (147,023 shares).</li> <li>• a dividend of €4.13 per share entitled from June 6, 2016 at the time of the capital increase as a result of cash payments (891,564 shares).</li> </ul>	
2) to the legal reserve	<b>2,077,174.00</b>
3) to the revenue reserve	<b>60,000,000.00</b>
4) to retained earnings	<b>101,019.94</b>
<b>Total</b>	<b>105,853,780.89</b>

The dividend paid is eligible for the tax allowance provided for in Article 158 of the French Tax Code. Pursuant to Article 243 bis of the French Tax Code, we inform you that the following dividends per share were paid in respect of the previous three years:

Year	2013	2014	2015
Amount in euros	4.04 <sup>(1)</sup>	4.53	<b>4.85</b>
	2.12 <sup>(2)</sup>		
Dividend eligible for the tax allowance provided for in Article 158 of the French Tax Code	yes	yes	<b>yes</b>

(1) For shares entitled to the full year's dividend.  
 (2) For new shares entitled from June 23, 2013.

### Third resolution

The Shareholders' Meeting, having heard the Executive Board's report, resolves to offer each shareholder the option of payment of the dividend in cash or in new shares with right to dividends from June 2, 2017.

The option applies to the entire dividend paid, i.e. €7.24 per share entitled to a full year's dividend, and €4.13 for shares entitled from June 6, 2016.

Having heard the Statutory Auditors' report relating to payment of the dividend in shares, the Shareholders' Meeting sets the unit issue price of the shares created as payment of the dividend at €195.18, including a share premium of €175.18.

Shareholders wishing to opt for payment of the dividend in shares will have a period of 26 days from the date of the decision of the Shareholders' Meeting in which to make their request. Consequently, shareholders who have not exercised their option before May 29, 2017 may only receive their dividend payments in cash.

Subscription forms will be provided to the shareholders.

Each shareholder may choose one of the two dividend payment options, but this option will apply to the full amount of the dividend for which the option is offered.

If the amount of the dividend to which the shareholder is entitled does not correspond to a whole number of shares, the shareholder may obtain the next whole number by paying the difference in cash.

The Executive Board is granted full powers to complete all transactions in connection with the exercise of the option and the resulting capital increase, and in particular to amend the company's bylaws accordingly.

### Fourth resolution

The Shareholders' Meeting, having heard the Statutory Auditors' special report on the agreements referred to in Article L.227-10 of the French Commercial Code, notes that no agreement of this kind was concluded during the year.

### Fifth resolution

The Shareholders' Meeting renews the term of office of Mr. Jean-Daniel Azaïs as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.

### Sixth resolution

The Shareholders' Meeting renews the term of office of Mr. Jean-Louis Boisson as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.



### **Seventh resolution**

The Shareholders' Meeting renews the term of office of Mrs. Danielle Joannes as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.

### **Eighth resolution**

The Shareholders' Meeting renews the term of office of Mr. Damien Lievens as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.

### **Ninth resolution**

The Shareholders' Meeting renews the term of office of Mr. Alain Têtedoie as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.

### **Tenth resolution**

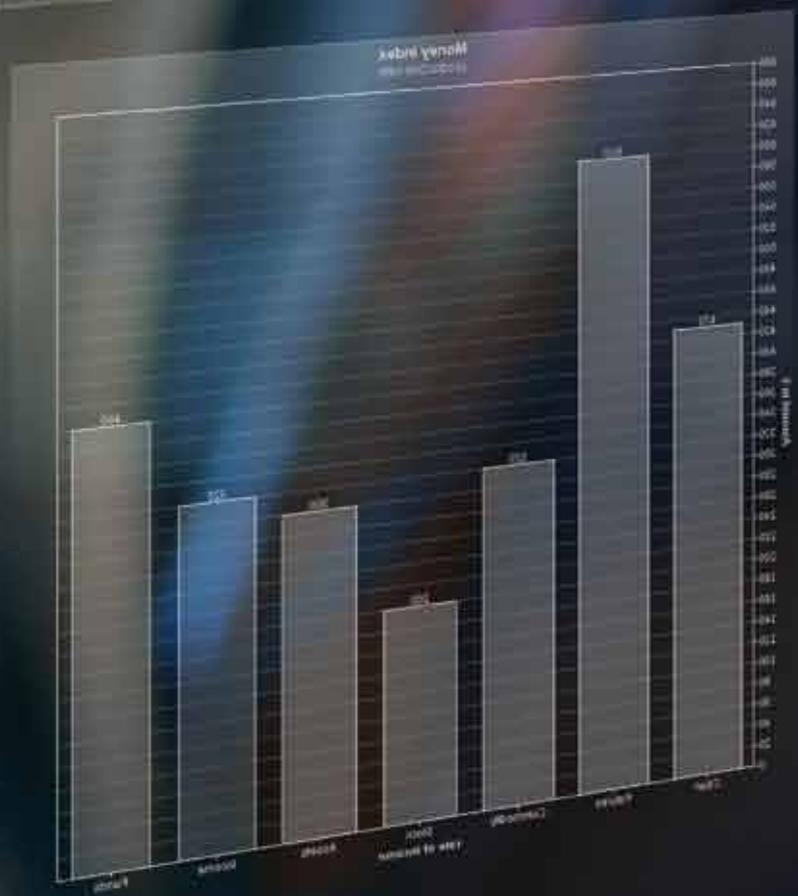
The Shareholders' Meeting renews the term of office of Mr. Michel Vieux as a member of the Supervisory Board for a period of three years expiring at the end of the Shareholders' Meeting called to approve the 2019 financial statements.

**BANQUE EUROPÉENNE**  
**Crédit Mutuel**

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# *Financial statements*

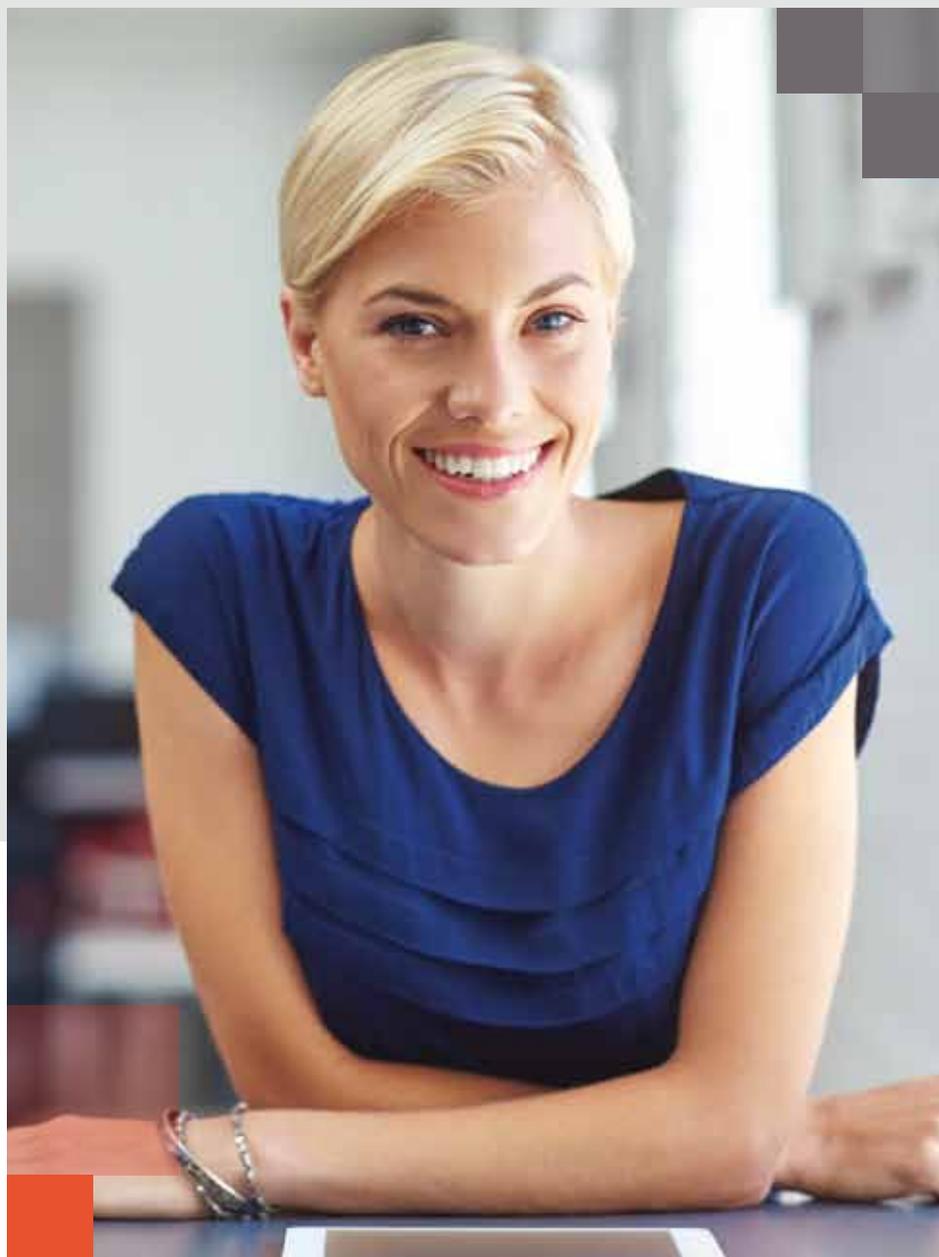
## Balance sheet

<b>Assets</b> <i>(in euros)</i>	December 31, 2016	December 31, 2015
Cash and due from central banks	<b>49,712,291.73</b>	35,310,464.11
Receivables due from credit institutions	<b>6,329,141,745.18</b>	3,832,125,204.35
Receivables due from customers	<b>12,594,206,055.84</b>	11,673,996,323.75
Bonds and other fixed-income securities	<b>0.00</b>	3,977,317.90
Shares and other variable-income securities	<b>23,106.02</b>	28,638.51
Shares in subsidiaries and other long-term investments	<b>435,132.82</b>	1,007,246.82
Investments in affiliates	<b>11,022,900.00</b>	9,999,900.00
Intangible assets	<b>1,017,480.79</b>	1,017,480.79
Property, plant and equipment	<b>783,796.98</b>	921,838.95
Other assets	<b>27,793,952.41</b>	36,135,135.29
Prepayments and accrued income	<b>137,364,263.71</b>	527,971,740.76
<b>Total assets</b>	<b>19,151,500,725.48</b>	<b>16,122,491,291.23</b>

<b>Off-balance sheet items</b> <i>(commitments given)</i>	December 31, 2016	December 31, 2015
Financing commitments	<b>6,102,114,988.78</b>	6,073,789,063.18
Guarantees	<b>3,438,295,522.16</b>	3,161,023,766.50

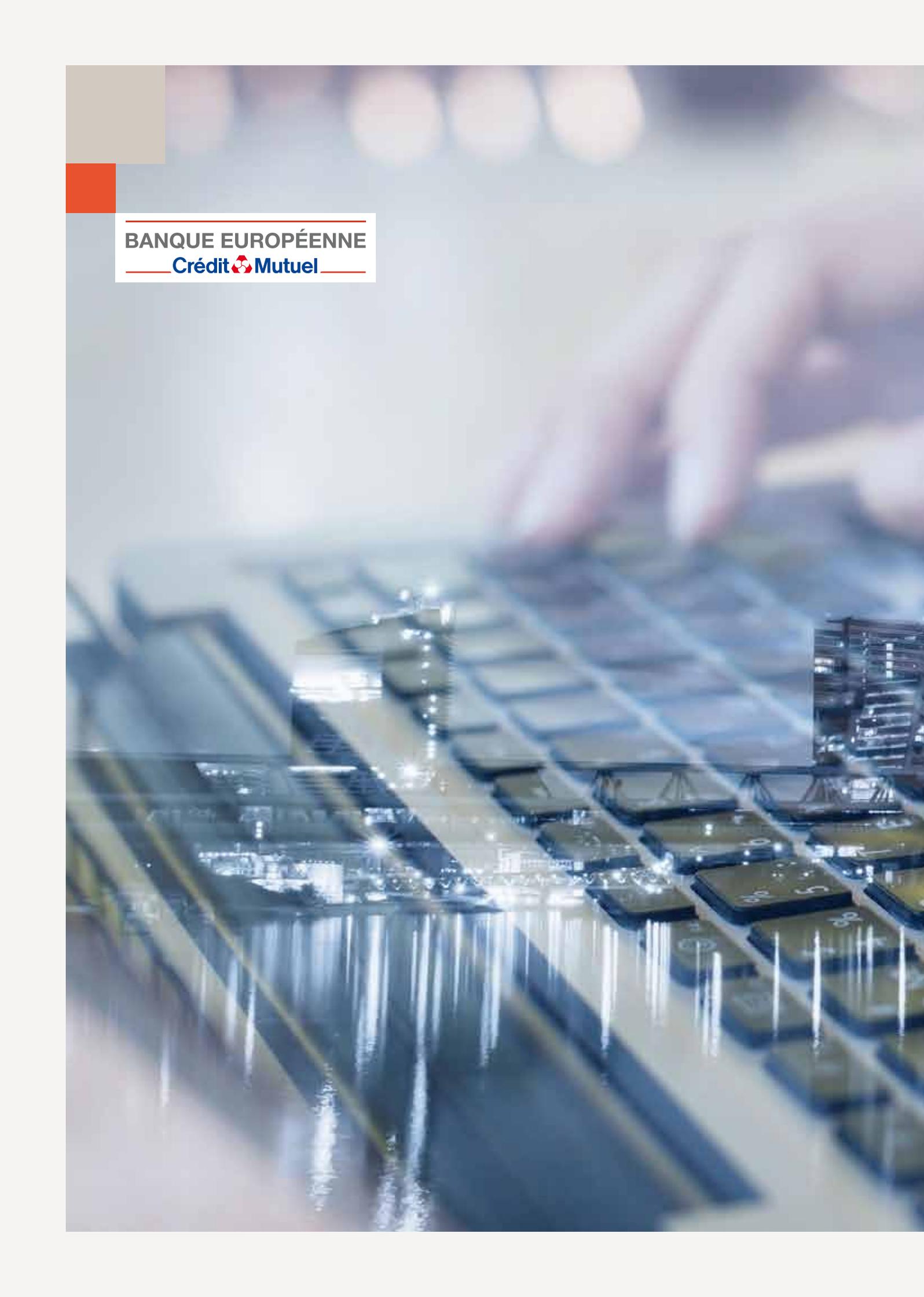
<b>Liabilities and equity</b> <i>(in euros)</i>	December 31, 2016	December 31, 2015
Due to credit institutions	<b>4,027,931,559.19</b>	3,460,570,931.77
Due to customers	<b>13,171,171,341.32</b>	10,817,259,917.37
Debt securities	<b>22,123,473.11</b>	34,021,248.49
Other liabilities	<b>202,599,569.10</b>	364,994,028.62
Accruals and deferred income	<b>108,336,808.66</b>	57,928,383.64
Provisions	<b>10,056,627.72</b>	13,929,028.22
Subordinated debt	<b>301,085,679.50</b>	371,146,449.67
Fund for general banking risks (FGBR)	<b>200,000,000.00</b>	160,000,000.00
Shareholders' equity and reserves excluding FGBR	<b>1,108,195,666.88</b>	842,641,303.45
<i>Capital subscribed</i>	<b>129,573,460.00</b>	108,801,720.00
<i>Additional paid-in capital</i>	<b>328,810,892.80</b>	163,197,809.78
<i>Reserves</i>	<b>543,957,533.19</b>	481,957,533.19
<i>Regulated provisions and investment subsidies</i>	<b>0.00</b>	25,580.00
<i>Retained earnings (+/-)</i>	<b>274,243.38</b>	593,478.06
<i>Net income for the year (+/-)</i>	<b>105,579,537.51</b>	88,065,182.42
<b>Total liabilities and equity</b>	<b>19,151,500,725.48</b>	<b>16,122,491,291.23</b>

<b>Off-balance sheet items</b> <i>(commitments and guarantees received)</i>	December 31, 2016	December 31, 2015
Financing commitments	<b>0.00</b>	2,400,000,000.00
Guarantees	<b>2,881,419,692.37</b>	3,038,048,225.73



## Income statement

<i>(in euros)</i>	Year ended December 31, 2016	Year ended Thursday, December 31, 2015
Interest and similar income	<b>267,348,174.27</b>	270,789,566.52
- Interest and similar expense	<b>(71,721,212.44)</b>	(100,015,203.45)
+ Income from variable-income securities	<b>1,690.77</b>	11,381.86
+ Commission income	<b>365,828,681.49</b>	401,792,501.02
- Commission expense	<b>(295,141,780.92)</b>	(337,505,166.49)
+/- Gains or losses on trading account transactions	<b>1,266,738.43</b>	1,355,950.17
+/- Gains or losses on investment portfolio and similar transactions	<b>5,570.26</b>	2,396.33
+/- Other banking income	<b>66,197,262.28</b>	689,926.44
- Other banking expense	<b>(1,817,222.28)</b>	(1,647,439.13)
<b>Net banking income</b>	<b>331,967,901.86</b>	<b>235,473,913.27</b>
- General operating expenses	<b>(87,129,058.09)</b>	(79,168,464.92)
- Depreciation, amortization and impairment	<b>(229,754.32)</b>	(232,770.70)
<b>Gross operating income</b>	<b>244,609,089.45</b>	<b>156,072,677.65</b>
Net provision allocations/reversals for loan losses	<b>(22,079,498.39)</b>	(13,911,472.80)
<b>Operating income</b>	<b>222,529,591.06</b>	<b>142,161,204.85</b>
+/- Gains or losses on non-current assets	<b>129,934.32</b>	(537.94)
<b>Income from ordinary operations before tax</b>	<b>222,659,525.38</b>	<b>142,160,666.91</b>
+/- Non-recurring items	<b>174,031.26</b>	(528,128.43)
- Corporate income tax	<b>(77,279,599.13)</b>	(53,583,329.06)
+/- Net allocation to the fund for general banking risks and to regulated provisions	<b>(39,974,420.00)</b>	15,973.00
<b>Net income</b>	<b>105,579,537.51</b>	<b>88,065,182.42</b>



**BANQUE EUROPÉENNE**  
**Crédit  Mutuel**



# 3

## *Financial results*



**The company's financial results**  
(in euros)

	2012	2013	2014	2015	2016
<b>1. Capital at year end</b>					
a) Share capital	105,933,880.00	108,801,720.00	108,801,720.00	108,801,720.00	<b>129,573,460.00</b>
b) Number of ordinary shares in issue	5,296,694	5,440,086	5,440,086	5,440,086	<b>6,478,673</b>
c) Number of preferential dividend shares (non-voting) in issue					
d) Maximum number of shares to be created					
• By conversion of bonds					
• By exercise of subscription rights					

**2. Operations and results for the year**

a) Net banking income, income from the securities portfolio and other	191,125,513.34	205,409,246.06	226,103,526.94	235,473,913.27	<b>331,967,901.86</b>
b) Income before tax, employee profit-sharing, depreciation, amortization and provisions	111,784,524.10	99,796,669.55	124,764,411.49	135,978,993.52	<b>230,920,567.90</b>
c) Corporate income tax	40,488,436.57	42,090,491.00	47,283,170.27	53,583,329.06	<b>77,279,599.13</b>
d) Employee profit-sharing for the year	366,118.57	526,003.73	442,195.61	375,341.60	<b>530,871.49</b>
e) Income after tax, employee profit-sharing, depreciation, amortization and provisions	63,640,588.96	73,030,002.00	82,747,612.68	88,065,182.42	<b>105,579,537.51</b>
f) Dividend distributed	19,103,013.11	21,946,344.24	24,643,589.58	26,384,417.10	<b>43,675,586.95</b>

**3. Earnings per share**

a) Income after tax and employee profit-sharing but before depreciation, amortization and provisions	13.52	10.53	14.16	15.08	<b>25.38</b>
b) Income after tax, employee profit-sharing, depreciation, amortization and provisions	12.13	13.44	15.21	16.19	<b>17.50</b>
c) Dividend per share	3.64	4.04	4.53	4.85	<b>7.24</b>

**4. Personnel**

a) Average number of employees during the year	395	400	393	386	<b>408</b>
b) Total payroll costs	21,487,830.93	21,433,005.45	22,492,550.47	23,275,409.57	<b>24,634,260.24</b>
c) Employee benefits (social security, benefit schemes, etc.)	10,527,821.96	10,142,415.74	10,052,980.33	10,479,308.72	<b>10,674,550.53</b>



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BECM – Simplified limited company (*société par actions simplifiée*) with share capital of 129,573,460 €  
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